



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

# **FINANCIAL AUDIT REPORT**

on the

## **GUIMBA WATER DISTRICT**

Guimba, Nueva Ecija

For the Years Ended December 31, 2013 and  
2012



Republic of the Philippines  
**COMMISSION ON AUDIT**

Regional Office No. III  
City of San Fernando, Pampanga

Tel. Nos. (045) 455-42-69 to 73 \* Fax No. (045) 455-4273 • Website: [www.coa.gov.ph](http://www.coa.gov.ph)

July 4, 2014

**Ms. JOSEFINA M. SERRANO**  
Supervising Auditor  
Water District Audit Group  
This Region

Madam:

We are pleased to transmit the Financial Audit Report on the audit of the Guimba Water District for the years ended December 31, 2013 and December 31, 2012 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD 1445).

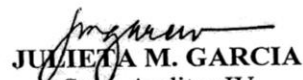
The audit was conducted to (a) ascertain the degree of reliance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

The attached report consists of Part I - the Audited Financial Statements, Part II - the Observations and Recommendations, and Part III - Status of Implementation of Prior Year's Audit Recommendations which were discussed with the officials and staff concerned, and Part IV - Annexes.

We conducted our audit in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided a reasonable basis for the audit results.

We acknowledge the cooperation extended to our Audit Team by the District's officials and employees concerned.

Very truly yours,

  
**JULIETA M. GARCIA**  
State Auditor IV  
Audit Team Leader



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## **INDEPENDENT AUDITOR'S REPORT**

### **The Board of Directors**

Guimba Water District

Guimba, Nueva Ecija

Pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, we have audited the accompanying financial statements of the Guimba Water District, which comprise the Statement of Financial Position as at December 31, 2013 and December 31, 2012 and the Statement of Comprehensive Income, Statement of Changes in Government Equity and Cash Flows Statement for the years ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion.

*Basis of Adverse Opinion*

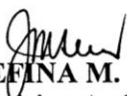
As discussed in Part II of the report, there were (a) unrecorded and undeposited collection amounting to P1,906,107.98 due to manipulation of the billing and collection system by the Cashier; (b) understatement of Other Assets account due to the non-reclassification of unserviceable properties and equipment with carrying value of P53,862.24.; (c) overstatement of construction-in-progress amounting to P14,803,202.24 due to non-reclassification of completed projects to appropriate asset accounts; (d) understatement of the liabilities amounting to P3,466,576.90 representing cost of short-term employee benefits not recognized; and (e) overstatement of income in the amount of P515,057.88 due to the recognition of billed penalties as income.

*Adverse Opinion*

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Guimba Water District as of December 31, 2013 and December 31, 2012, and its financial performance and its cash flows for the years then ended in accordance with State accounting principles.

COMMISSION ON AUDIT

BY:

  
**JOSEFINA M. SERRANO**  
Supervising Auditor

July 4, 2014